

NAVY COMMERCIAL ACTIVITIES (CA) PROGRAM MANUAL

Table of Contents

	<u>Page</u>
Part I—Policy Implementation	1
Chapter 1—General Provisions	1
A. General.....	1
B. Inherently Governmental Activities	10
C. Government Performance of Commercial Activities.	11
1. National Defense or Intelligence Security.....	11
2. Patient Care.....	11
3. Core Capability.	11
4. Research and Development.....	12
5. No Satisfactory Commercial Source	12
6. Functions with 10 or Fewer FTEs	12
7. Meet Performance Standard.....	12
8. Lower Cost.....	12
9. Temporary Authorization for In-House Performance.....	13
D. Contract Performance of Commercial Activities	13
1. Contracted Activities.	13
2. New Requirements.	13
3. Severable Expansions	13
4. Interservice Support Agreements (ISSA)	13
5. Activities With 10 or Fewer Civilian FTE	13
6. Activities with 11 or More FTE	14
7. Activities Performed by the Military.....	14
8. Preferential Procurement Programs.....	14
9. Lower Cost.....	15
E. Agency Cost Comparison Waivers	15
F. Inventory.	15
G. Review of Documents.....	15
1. Access to Supporting Documents	15
2. Appeals of Agency Decisions	16
H. Personnel Considerations.....	16
I. Relationship to the Budget.....	19

OPNAVINST 4860.7C

7 June 1999

	<u>Page</u>
Chapter 2—Interservice Support Agreements (ISSA).....	19
A. General	19
B. Specific.....	19
Chapter 3—Cost Comparisons	21
A. General.....	21
B. The CA Study Team	22
C. Performance Work Statements.....	23
D. Quality Assurance Surveillance Plans.....	24
E. Management Plans	24
F. Safeguarding the MEO.....	26
G. Solicitations	26
H. Methods of Procurement	26
I. The Independent Review	27
J. Evaluation of Bids and Tentative Decisions.....	28
K. Appeals of Tentative Waiver and Cost Comparison Decisions	29
L. Post-MEO Performance Review	31
Part II—Preparing the Cost Comparison Estimates	1
Chapter 1—Implementation Instructions.....	1
A. General.....	1
B. Organization	1
Chapter 2—Developing the Cost of Government Performance	1
A. General.....	1
1. Overview.....	1
2. Standard Cost Factors.....	1
3. Common Costs	1
4. Retained and Save Pay	1
5. Cost of Conducting a Cost Comparison.....	1
6. Proration of Performance Periods.....	1
7. In-House Costs	1
8. Minimum Cost Differentials	1
9. Rounding Rule	2
10. Inflation	2
11. Other ISSA Adjustments	2
B. Personnel (Line 1)	2
C. Material and Supply (Line 2).....	3
D. Other Specifically Attributable (Line 3)	3
1. Overview	3

	<u>Page</u>
2. Depreciation.....	3
3. Cost of Capital.....	3
4. Rent	4
5. Maintenance and Repair.....	4
6. Utilities	4
7. Insurance	4
8. Travel.....	4
9. MEO Subcontract Costs.....	4
10. Other Costs.....	4
E. Overhead (Line 4).....	4
F. Additional (Line 5)	5
G. Total Cost—In-House Performance (Line 6)	5
Chapter 3—Developing the Cost of Contract Performance.....	5
A. General	5
B. Contract Price (Line 7)	5
1. Overview	5
2. Contract Types	5
3. Tax Exempt Organizations.....	5
4. Procurement Preference Eligible Organizations	5
C. Contract Administration (Line 8)	5
D. Additional (Line 9).....	6
E. One-Time Conversion (Line 10).....	6
1. Overview	6
2. Material Related Cost.....	6
3. Labor Related Costs.....	6
4. Other Costs.....	8
5. One-Time Cost Computation	8
F. Gain from the Disposal/Transfer of Assets (Line 11)	8
G. Federal Income Tax (Line 12)	8
H. Total Cost—Contract Performance (Line 13).....	8
Chapter 4—Calculating the Cost Comparison Decision.....	8
A. Conversion Differential (Line 14)	8
B. Adjusted Total In-house Cost (Line 15)	8
C. Adjusted Total Contract Cost (Line 16).....	8
D. The Cost Comparison Decision (Lines 17/18)	9
Chapter 5—Streamlined Cost Comparisons for Activities with 65 FTE or Less	9
A. General.....	9
B. Procedure.....	9

Appendices

Appendix A -- Definition of Terms and Acronyms

Appendix B – Mandatory/Advisory Publications and Internet Resources

Appendix C -- Reporting Requirements

Appendix D -- Public Affairs Guidance

Appendix E -- Principal Statutes Governing CA

Appendix F -- Brief Summary of the A-76 Decision Process

Appendix G -- The CA Function Nomination Examples

Appendix H--Ethics Issues Related to Participation in OMB Circular A-76 Cost
Comparison Studies and Exercise of Right of First Refusal of Employment

Appendix I--Management Decision Procedure to Convert Activities Not Subject to
OMB Circular A-76 to Contract

Appendix J -- Codes and Definitions of Functional Areas

Appendix K -- Compelling Reason Codes